

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
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| In the Matter of                        | ) |                      |
|   | ) |                      |
| Applications of WorldCom, Inc. and MCI  | ) |                      |
| Communications Corporation for Transfer | ) | CC Docket No. 97-211 |
| of Control of MCI Communications        | ) |                      |
| Corporation to WorldCom, Inc.           | ) |                      |

**BELLSOUTH CORPORATION'S COMMENTS ON MCI'S PROPOSED  
PARTIAL INTERNET DIVESTITURE**

To: The Commission

BellSouth Corporation (BellSouth) submits these comments in response to the Commission's June 4, 1998 request for comment on an MCI Ex Parte broadly describing certain aspects of its proposal to divest some of its Internet assets. The divestiture is aimed at meeting Internet competition concerns due to the proposed combination WorldCom's and MCI's Internet business. However, MCI's proposal appears to be totally inadequate to remedy the threat to Internet competition. BellSouth and others have raised several other public interest concerns about this proposed acquisition, including its likely anticompetitive effects in long distance markets. The current proposed Internet divestiture and these Comments do not address any of these other concerns.

As many commenters have pointed out, MCI and WorldCom are the two largest providers of Internet backbone services, and combining them would create a firm dominant over the Internet. It appears that MCI's partial divestiture has already been

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found lacking -- for good reason -- by the competition authorities in the European Union. BellSouth sets out its initial observations below.

1. MCI's Ex Parte presentation materials do not provide enough information to allow meaningful analysis of the deal. This Ex Parte continues the WorldCom/MCI "stealth application" approach to these proceedings. Many key details of the partial divestiture are unavailable. While details of a transaction may be substantially irrelevant where a complete divestiture is contemplated, they are essential here where MCI WorldCom choose to follow this path of very selective, piecemeal divestiture. MCI WorldCom must supply the competitively significant details of any proposed partial divestiture. These must include the actual contractual arrangements and supporting schedules.

2. An especially egregious omission is the complete absence of any reference to peering arrangements between a merged MCI WorldCom and Cable & Wireless, Inc. ("C&W"). MCI chooses to make only the meaningless statement that it will extend its peering agreement with C&W. Ex Parte at 7. However, MCI claims it is divesting its Internet business, so what a peering agreement with MCI is worth is hard to understand. The real issue is whether C&W will have a peering agreement with a merged MCI WorldCom. The terms of that peering arrangement, or its absence, are essential to analyzing the likely competitive effects of this partial divestiture. Given the high degree of attention paid to the role of peering arrangements in this proceeding, MCI WorldCom's deliberately hiding the ball here is totally unacceptable.

3. The divestiture in no way "wholly eliminates any competitive overlap between MCI's and WorldCom's backbone business." Ex Parte at 9. This statement is doubly

misleading. First, as many commenters have pointed out, control of Internet traffic is one key to this proceeding. MCI proposes to retain control of all its non-ISP customers, which may well constitute a majority of its Internet traffic. (These customers will be insulated from competition from C&W. Ex Parte at 8. However, MCI WorldCom could begin competing immediately for some of the transferred ISPs, while waiting two years for the rest. Ex Parte at 7). Thus, MCI will bring to WorldCom, and will combine with its traffic immediately, the traffic of every MCI commercial and consumer customer and traffic from MCI web hosted sites. This traffic will put a combined MCI WorldCom well ahead of every other backbone provider and requires close scrutiny to determine how much market power it is likely to create. Second, simply eliminating the competitive overlap is not the goal. The goal here is to restore the competitive balance that existed before the proposed acquisition of MCI. If the competitive overlap is eliminated, but MCI WorldCom's Internet dominance is ensured through a divestiture inadequate to restore the pre-merger competitive balance, then the public interest will suffer.

4. In addition to bringing all of MCI's commercial and consumer customers to WorldCom, MCI also proposes to bring all but 50 of its Internet employees. The fifty employees available to C&W are probably insufficient to even operate the network on a day-to-day basis. Internet experienced employees are primary assets to Internet businesses, and can be very difficult to find. This aspect of the proposed divestiture is inadequate. It leaves C&W without a primary business resource, and symbolizes the inadequacy of MCI's entire selective divestiture approach.

5. MCI also proposes to retain all the "software and operations support systems" related to its Internet business. Ex Parte at 6. None of these key business assets would be

divested to C&W. Instead, C&W will obtain some “right to use” certain “dedicated” software and operations support systems for an undefined term. Ex Parte at 6. Details of these arrangements must be available for analysis.

6. Many of the physical assets that are being transferred to C&W will be in MCI facilities and connected to MCI’s transmission facilities. Apparently, C&W will get rights “to maintain” that equipment. Ex Parte at 6. These rights are never defined. MCI’s choice of the word “maintain,” raises questions as to whether C&W would be able to even upgrade or rearrange these facilities to increase the capacity or quality of its offerings.

The current MCI proposal appears to be totally inadequate. MCI’s choice of this partial, piecemeal approach to divestiture complicates the analysis of the divestiture immensely. Having chosen to complicate this issue, MCI cannot hide behind vague assurances that the divestiture is sufficient. The Commission’s recently entered Protective Order provides the right vehicle for making the necessary information available so the public can offer informed comment. *Order Adopting Protective Order*, CC Dkt. No. 97-211, rel. June 5, 1998. At a minimum, the Commission should require MCI to provide to all parties, subject to the Protective Order, MCI’s entire agreement with C&W, along with current or proposed peering arrangements

between MCI, WorldCom and the proposed MCI WorldCom combined entity and C&W.

The Commission should take this step now, so parties can begin the necessary analysis.

Respectfully submitted,

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## CERTIFICATE OF SERVICE

I hereby certify that I have this 7th day of May, 1998 served the following parties to this action with a copy of the foregoing **BELLSOUTH CORPORATION'S COMMENTS ON MCI'S PROPOSED PARTIAL INTERNET DIVESTITURE** by placing a true and correct copy of the same in the United States Mail, postage prepaid, addressed to the parties at the addresses listed below:

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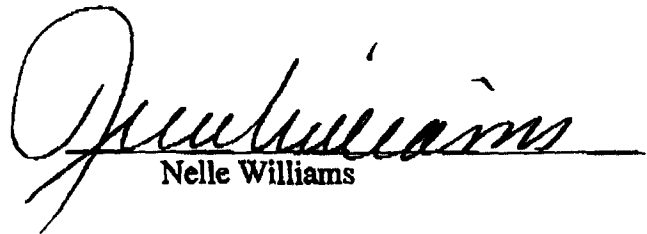
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